
Iowa Legislative Services Agency Fiscal Services

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Des Moines, IA 50319
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Special Education Funding

ISSUE

This *Issue Review* examines the trends in special education enrollments and funding.

AFFECTED AGENCIES

School districts
Area Education Agencies
Department of Education

CODE AUTHORITY

Chapters 256B, 257, and 273, Code of Iowa

BACKGROUND

Special education programs and services are provided by the local school districts and the Area Education Agencies (AEAs). School districts and AEAs are required to assess students “who have a disability in obtaining an education because of a head injury, autism, behavioral disorder, or physical, mental, communication, or learning disability, as defined by the rules of the Department of Education.” (Section 256B.2(1), Code of Iowa) School districts are required to provide a free and appropriate public education that meets the needs of special education students. To the maximum extent possible, special education students are to participate in regular classes.

Funding is provided by State Foundation Aid, Foundation property taxes, and federal sources. In preparing the certified enrollment, special education students are counted so that an additional weighting can be applied. The count is made during the fall of the year preceding the budget year. In addition to the regular curriculum weighting of 1.00, those students with the most severe disabilities and requiring the highest level of special education services are assigned an additional weighting of 2.74; special education students with disabilities requiring mid-level services are assigned an additional weighting of 1.21; and those requiring the lowest level of services are assigned an additional weighting of 0.72. Shared time and part-time special education students are assigned half the corresponding weighting. A school district’s special education funding through the foundation formula is determined by

multiplying the total special education weighting by the district cost per pupil. Each AEA has an established special education cost per pupil that is applied to the weighted enrollment in a like manner. The formula subsequently allocates the costs between State Aid and local property taxes. An allocation is made of the appropriate portion of the 1.00 regular program weighting applied to special education students to the school's general budget for transportation, operation and maintenance, administration, and integration into regular classes according to the type of special education programming the students receive and the weighting level.

Special education funding, except for the allocation to the general budget, is spent on special education, carried forward for future special education expenditures, or reverted. At the end of the year, special educational fund balances are reduced to zero. Districts with a positive balance may carry forward up to 10.0% of the funds generated for special education by the School Foundation Formula. The remainder is used to reduce State Aid and foundation property taxes. The Department of Management, at the direction of the School Budget Review Committee (SBRC), deducts the total amount of the reversion from the State Foundation Aid payments for March through June in the year following the positive balance reversion. In the second year following the positive balance reversion, the Department of Management returns the property tax portion to the school districts with special education reversions in their State Foundation Aid payments, thus reducing the property taxes for that year. The State Aid portion of the reversion, also at the direction of the SBRC, is proportionately distributed to school districts with deficits. The FY 2005 positive balance reversion was distributed in FY 2007 with those school districts receiving 7.0% of their negative balances. School districts with deficit balances also can request additional spending authority in the form of modified allowable growth from the SBRC to address the excess special education costs. The dollars to pay for the additional spending authority come from the school district's cash reserve levy.

The School Budget Review Committee has the authority to review special education costs and make adjustments to the weightings. The last adjustment was made in FY 2004.

Federal funding comes from the Individuals with Disabilities Education Act (IDEA) Part B grants and from Medicaid. The IDEA Part B grants provide funds for special education for school-age children and for preschool special education. While some of this funding goes to State administration (2.0% of the 2006 grant), State set-aside (9.0%), and a risk pool for high cost students (1.0%), most (88.0% in 2006) flows through to the Area Education Agencies and local schools. Medicaid funding covers health-related services for Medicaid eligible students with an Individualized Education Program (IEP). That is, schools can be reimbursed for the services they provide that would normally be covered by Medicaid.

Area Education Agencies play a major role in Iowa special education and provide services to local schools. The Division of Special Education within each Area Education Agency is responsible for (Section 273.5, Code of Iowa):

- *Properly identifying children requiring special education.* The AEA sets the guidelines and procedures, in accordance with administrative rules and federal law and regulations, that are used to identify eligible individuals. Federal and State guidelines require efforts, called "interventions," to address the problems prior to considering special education.
- *Insuring that each special education student receives an appropriate program or service.* Each child whose disability requires special education has an Individualized Education Program (IEP). This is a written plan developed by the team of professionals and the parents detailing the special education services and supports to be provided. The AEAs provide processes and procedures for IEPs and offer professional development for school and AEA professionals. The AEAs also provide a means of appeal and a review process for IEP team members that disagree with an aspect of the IEP. The AEAs periodically assess school district compliance with special education laws and requirements.

- *Assigning appropriate funding weights and providing the school district and the Department of Education with a special education weighted enrollment count.* Approximately eight years ago, a decision-making matrix was developed for use by IEP teams to assist in determining the appropriate weight for each student with an IEP. The matrix matches the extensiveness of services required to the weighting level. The Iowa AEA Special Education Directors are currently reviewing the matrix to improve consistency across the State.
- *Supervising special education personnel and coordinating special education programs within the area served.* The AEAs supervise the speech-language pathologists, school psychologists, educational audiologists, and special education teachers they employ. School districts supervise the special education staff they employ. The AEAs assist local schools in locating or developing programs for students requiring specialized or intensive services, such as autism or hearing impairment.
- *Submitting required reports to the Department of Education.* The Department of Education requires the AEAs to provide a number of reports. Most of the student information is collected and submitted through the Information Management System (IMS), including weightings, special education enrollments, and IEP information.

The Division of Special Education within Department of Education is required to audit the reports to determine students are receiving the proper instruction and support and to verify proper identification of special education students. The Division certifies the correct enrollment and weighting of each school district to the Department of Management (Section 256B.9(5), Code of Iowa). In addition, the Department of Education has the authority to audit the records of agencies providing special education services as needed.

CURRENT SITUATION

Since FY 1992, the State budget enrollment has declined from 494,932.5 students to 483,104.8 students, a decrease of 11,827.7 (2.4%). Over the same period, the number of special education students has increased from 45,602.8 to 63,551.2, an increase of 17,948.4 (39.4%). (For this analysis, the special education weightings were converted into full-time student equivalents and count part-time special education students in the same manner as the budget enrollment.) In FY 2007, the number of special education students decreased by 731.7 (1.1%) and was the only year in this analysis to show a decrease in the number of special education student equivalents.

Chart 1 shows the growth patterns for regular program and special education students. (The scales in the chart are proportionate to accurately compare the change rates.)

Chart 1

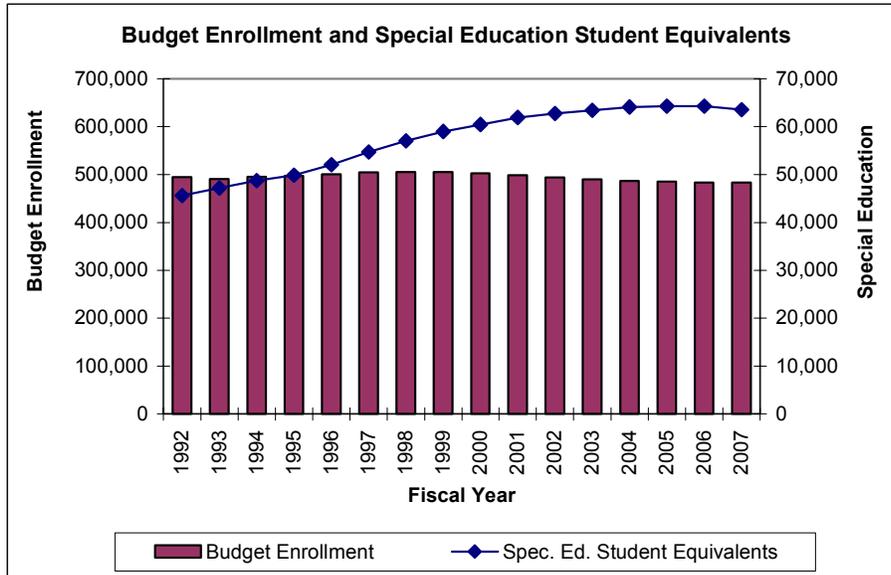


Chart 2 shows that special education students with the highest level of disability (Level III) are increasing at the highest rate (191.1% since FY 1992), while Level II special education students have increased by 86.8%, and the least disabled group (Level I) has shown the slowest rate of increase (17.2%).

Chart 2

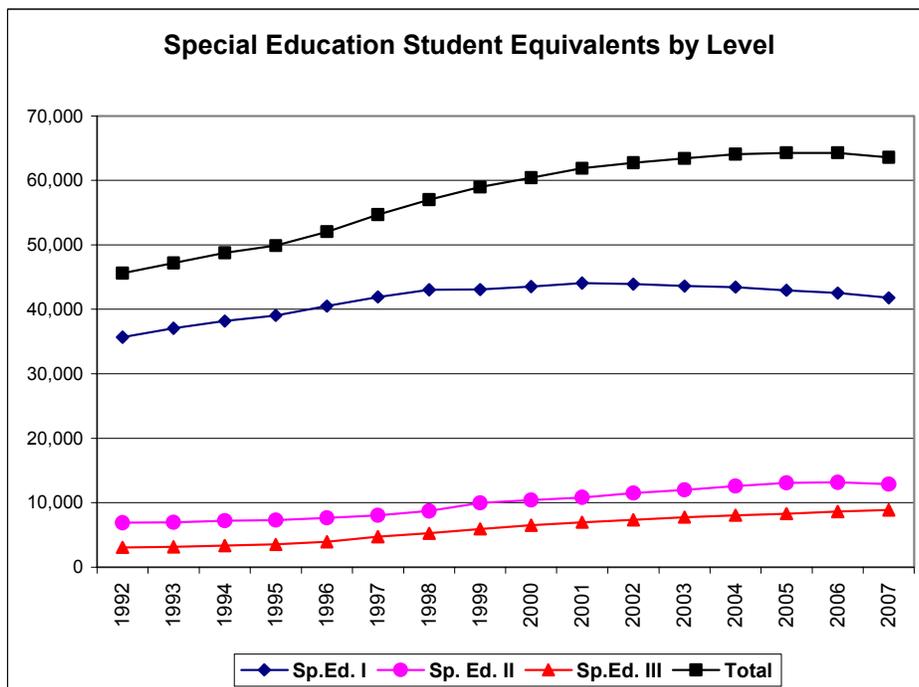


Chart 3 shows the ratio of special education student equivalents to budget enrollment. Between FY 1992 and FY 2007, the proportion of special education students increased from 9.2% to 13.2%, which is a 43.5% increase.

Chart 3

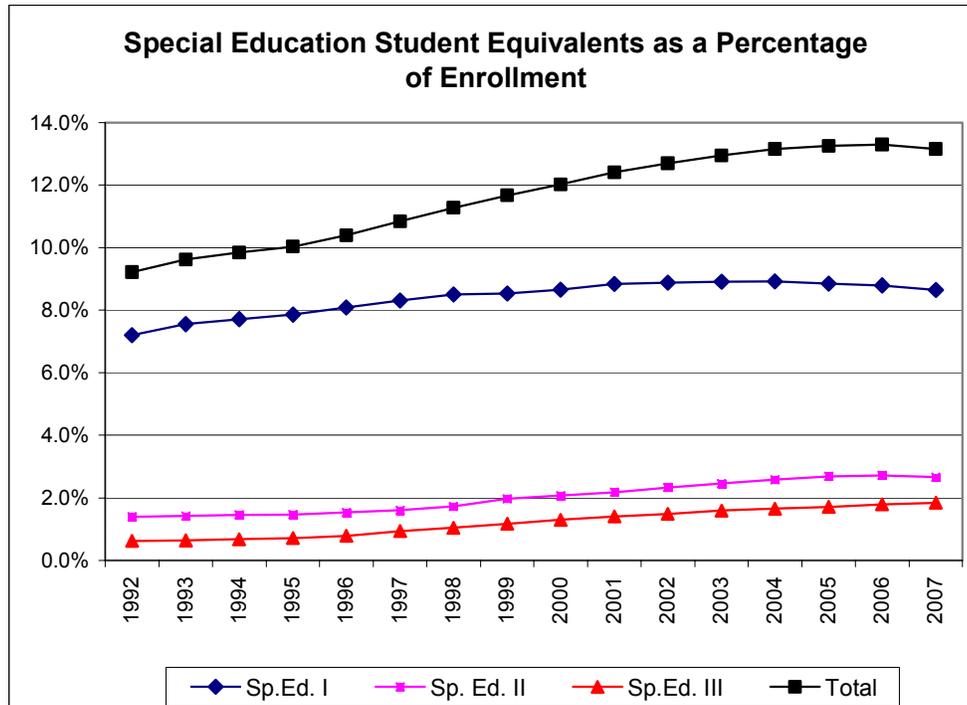


Chart 4 shows the percentage of the budget enrollment that are special education students by school size. There is little variation by school size.

Chart 4

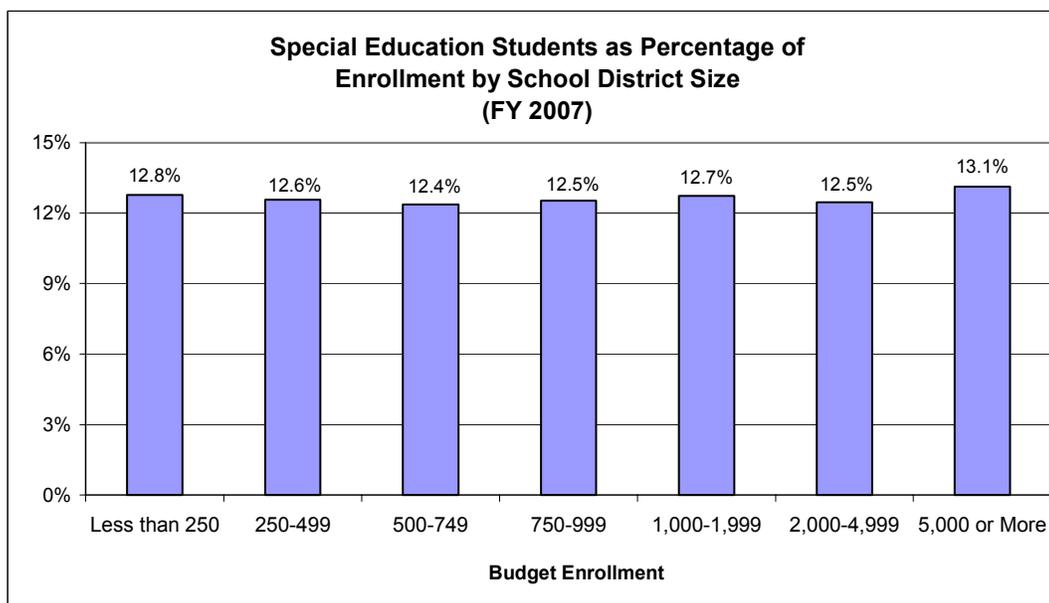
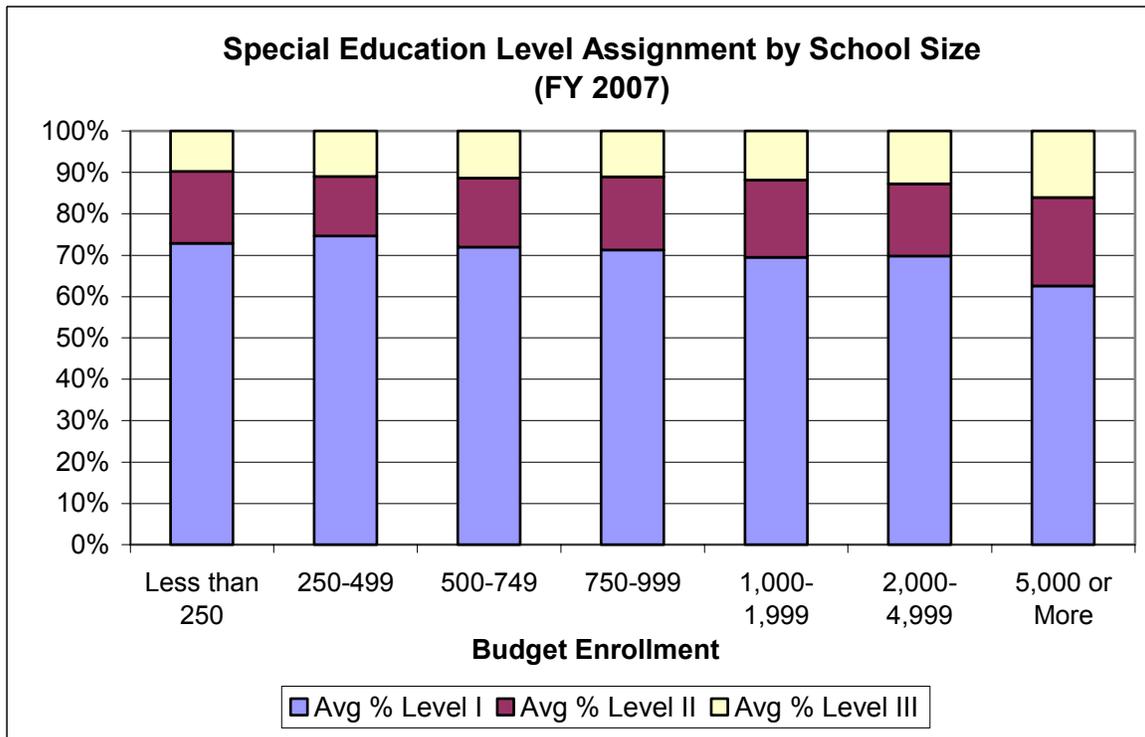


Chart 5 shows the percentage of special education students assigned to each weighting level by school district size. Special education students were assigned to the Level I most frequently in school districts with 250 to 499 students. As school size increases, the proportion of students assigned to Levels II and III increase. School districts with more than 5,000 on average had 21.5% of their special education students assigned to Level II and 16.0% to Level III. School districts with between 250 and 499 students on average had 14.4% of their special education students assigned to Level II and 11.0% to Level III.

Chart 5

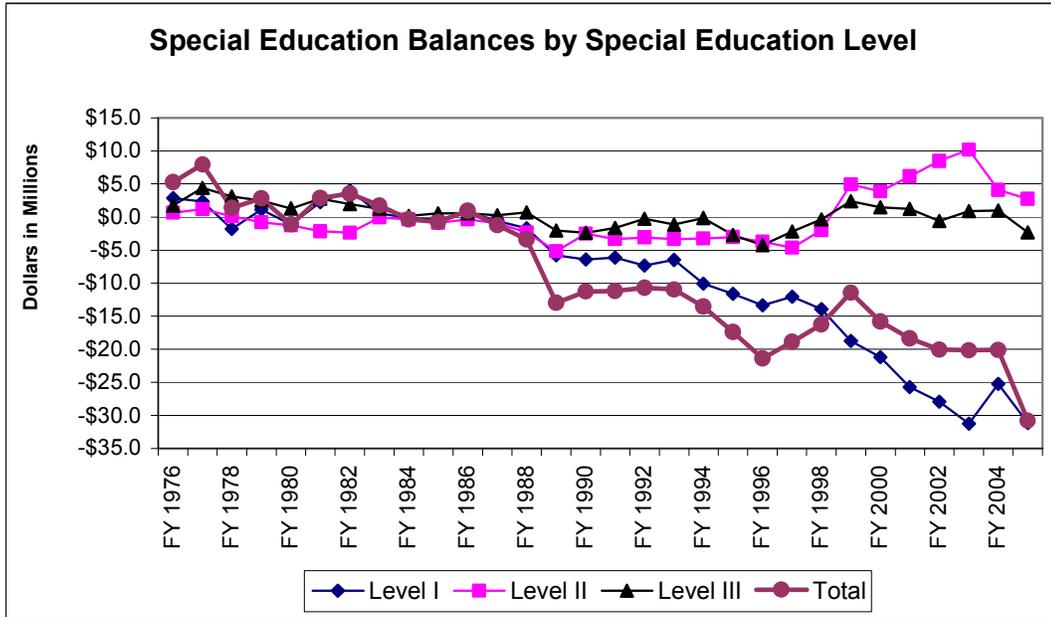


BUDGET IMPACT

In FY 2005, the State and local funds available for special education instructional services totaled \$650.0 million, and the available federal funding totaled \$25.3 million in Part B for school districts' instructional services and \$13.5 million in Medicaid funds, for a total of \$688.8 million. Spending for special education exceeded the funding available resulting in a negative balance of \$30.8 million, or 4.7% of the State and local funding.

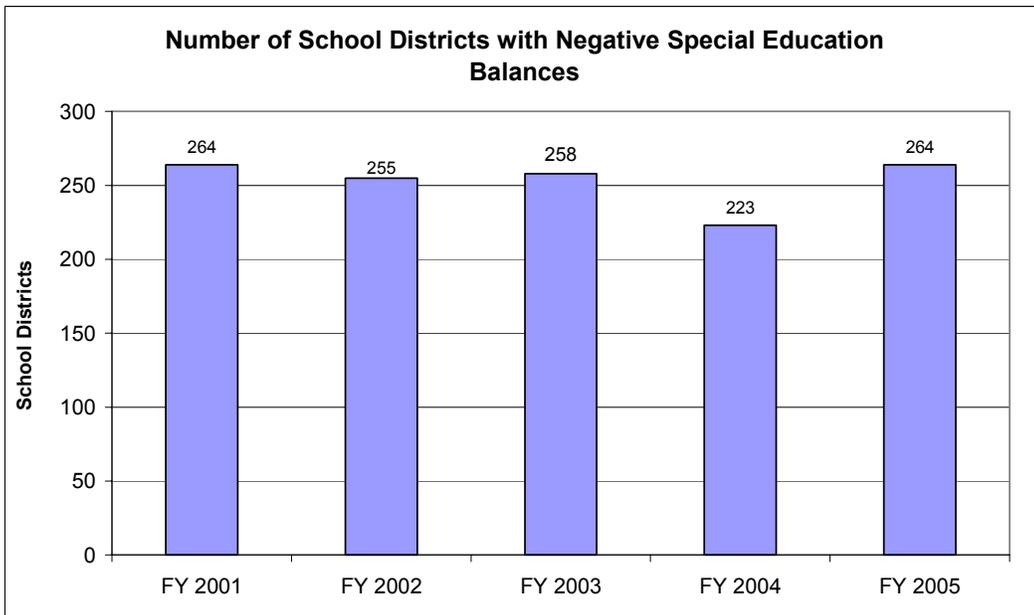
Chart 6 shows the ending balances by special education level since FY 1976. Over this period, the negative ending balances have continued to increase, driven primarily by negative ending balances for Level I special education expenditures. The special education ending balances have declined from a high of \$7.9 million positive balance in FY 1977 to a negative balance of \$30.8 million in FY 2005.

Chart 6



As Chart 7 shows, over the past five years, a little over two-thirds of the school districts have had negative special education balances.

Chart 7



While there is some variation in the pattern over this period, approximately one-fifth of the schools that had a negative balance had a positive balance in the following year, and another fifth that had a positive balance had a negative balance in the following year. Three-fifths had the same type of negative or positive balance in the following year.

Chart 8 shows the number of years that school districts had a negative special education balance. Half of the school districts had negative special education balances for four or more of the five years being examined. Only seven school districts did not incur a negative special education balance.

Chart 8

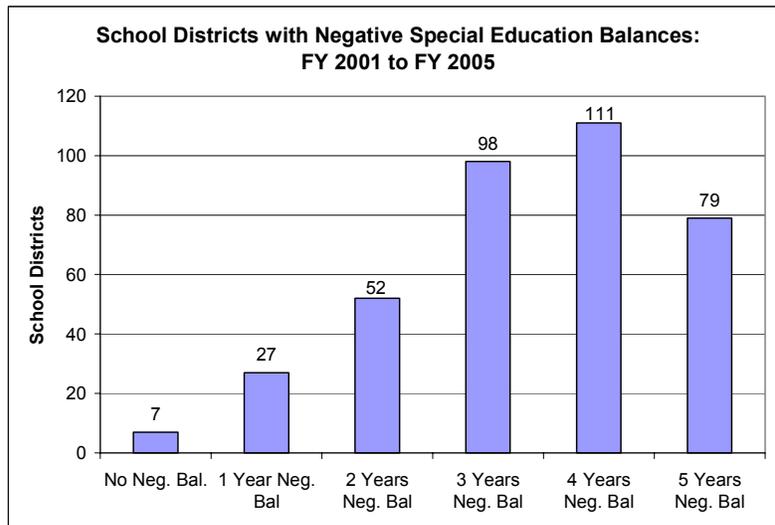


Chart 9 shows the percentage and number of school districts with a negative balance by size of the school district. As the size of the school district increases, the percentage of districts with a negative balance appears to increase.

Chart 9

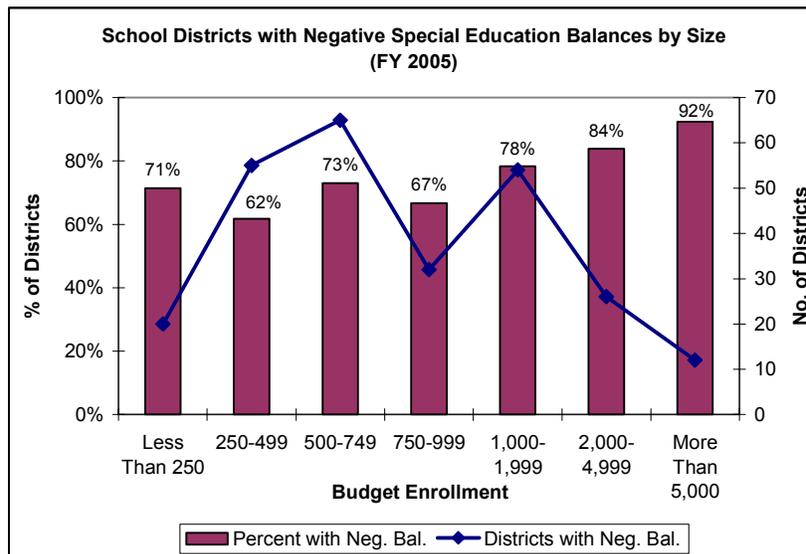
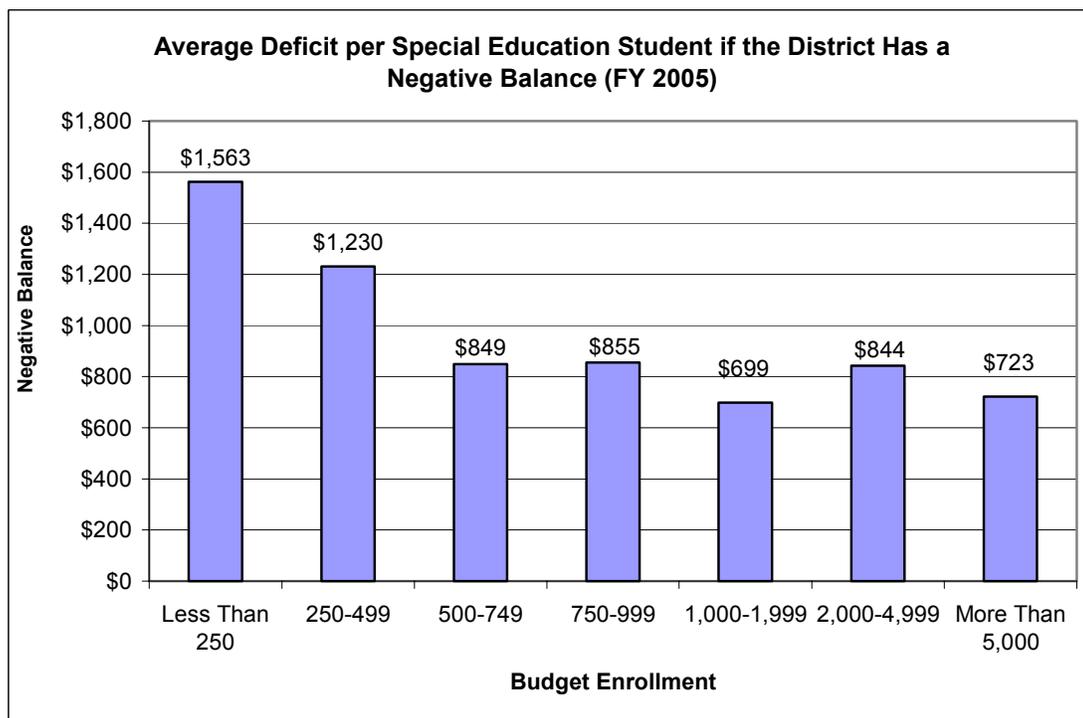


Chart 10 shows the negative balance per special education student for those school districts that had negative balances. The smaller school districts show larger per special education student deficits. The Department of Education has indicated that this occurs because of economies of scale. The smaller districts have fewer students but still must provide the same level of services, while the larger districts will have several students benefiting from the service.

Chart 10



CONCLUSION

It appears that the number of special education students is continuing to grow, driven by students with the least disability and receiving the lowest level of services, while at the same time the total student enrollment continues to decline. About two-thirds of the school districts have incurred negative special education balances, and the amount of the deficit continues to grow, reaching a negative \$30.8 million in the last reported year.

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